

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Dominican Republic

Food Service - Hotel Restaurant Institutional

Exporting U.S. Products for the Food Service in the Dominican Republic

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Report Highlights: Driven by a dynamic tourism industry and solid domestic consumer demand, excellent opportunities exist for U.S. exporters in the DR's food service sector. Leading U.S. products for distribution in hotels and restaurants include premium red meat cuts, poultry parts, cheeses, wine, frozen potatoes and vegetables, fresh fruit, and seafood. U.S. exporters must be willing to supply to a constantly evolving, creative, and innovative sector. A strong preference for U.S. products exists in the sector.

Section I. Market Summary

The tourism sector continues to be very important to the Dominican Republic's (DR) economy, and an important driver of trends and demand in the food service sector. The tourism sector, with a value of US\$1.3 billion, represents 7 percent of the GDP, and had an annual growth of 6.1 percent in 2015. The average tourist spends approximately US\$130 per day. Nearly 5.6 million tourists entered the DR in 2015, with 41 percent of this number coming from the U.S. Sixty four percent (3.1 million) of visitors arrive through the Punta Cana Airport, the most important tourism area of the DR. Most of the hotels located in Punta Cana, as well as Puerto Plata and La Romana, operate under the "all inclusive" business model. Nearly 3 million foreigners enjoy this service every year.

In addition to demand from the tourist sector, the DR's solid economic growth growing consumer purchasing power is fueling continued developments in the restaurant sector. Growth in local demand fuels continuous growth, innovation, and creativity among leading independent and franchise restaurants. This growth in turn leads to continued expansion and interest in U.S. meat, poultry, cheeses, wine, frozen potatoes and vegetables, fresh fruit, and seafood.

Market Composition

There are about 1,895 hotel, restaurant, or cafeteria establishments. Cafeterias and restaurants represent about 88 percent, although they don't account for the same percentage of total business volume. Restaurants focus more on new foods and promotions, while hotels are more interested in sales volume. As a result, while only consisting of 12 percent in terms of number of establishments, the volume of food sales to hotels is more than to the independent restaurants.

There are approximately 21 fast food restaurant chains, with 129 outlets of in the DR. Most of them are U.S. franchises. There are approximately 333 medium and large restaurants in the country, with 167 of them located in Santo Domingo (of which 50 are considered high end restaurants), 61 in Santiago, 60 in Bávaro, 23 in La Romana and 22 in Puerto Plata. The most important U.S. products destined to these outlets include: meat cuts, seafood, cheese, fruits, and frozen potatoes. In addition, some of the key retail establishments distribute wines and other products to these restaurants.

ADVANTAGES AND CHALLENGES

Advantages	Challenges
1. The implementation of CAFTA-DR has lowered or eliminated duties on nearly 80 percent products.	1. Competition from other CAFTA-DR signees persists.
2. A large and growing tourist, which demands high value food products.	2. Tariff rate quotas, safeguards and other CAFTA-DR provisions continue to protect local producers of rice, meat (beef, poultry and pork), dairy products, beans, garlic and onion.
3. Growing number of consumers demanding higher quality and healthier products; generally they perceive that U.S. products meet their requirements.	3. U.S. products must comply with English language labelling requirements.
4. Efficient food distribution channels with the construction of new highways, modernization of seaports and airports facilitates the flow of imported food products.	4. Some cold chain limitations persist.
5. The DR consumer is greatly influenced by U.S. culture and has a positive perception of U.S. products.	5. Some products require issuance of import permits.
6. The proximity of DR to the United States and strong bilateral relationships throughout the public and private sectors facilitates trade.	6. 18 percent VAT and high internal logistic costs.
7. Population in urban centers and the rate of employment is growing.	7. Lack of transparency and corruption continue to earn the DR relatively low scores in international comparison tables (DR was 113 th out of 185 countries in the World Bank's "Ease of Doing Business").
8. Dominican diaspora in the U.S. of approximately one million persons, clustered primarily in the northeastern states and Florida, whose remittance payments help support the home-country economy.	8. There is a lack of institutional continuity across changes in government administrations.

Section II. Road Map for Market Entry

A. Entry Strategy: Key Factors for Market Access Entry

Product registration

The first step to importing new food products into the Dominican Republic is product registration. Importers register new food products with the Ministry of Public Health. The Ministry issues a certificate to the importer or the local legal representative with a Sanitation Registration Number, which must be printed on the label of the product or as an additional sticker.

The local representative needs to bring to the Ministry of Health the following required documents:

- U.S. certificate of free sale
- Certificate of origin
- Label indicating the qualitative and quantitative formulation
- Copy of the letter of assignment or contract with a local agent (if one exists for the product)
- Registration fees and product samples

The trademark must also be registered through the National Office of Intellectual Property (ONAPI) of the Ministry of Industry and Commerce. This is not a legal requirement, but it is a protection for the owner. U.S. companies concerned with copyright issues should contract the services of a local legal firm to handle this procedure.

Needed contacts in DR to proceed with the previous steps are mentioned in Section IV of this report.

Customs clearance

The General Directorate of Customs Office requires the importer to present the following documents to release all shipments valued over US\$100:

- Bill of Lading (English or Spanish)
- Commercial Invoice
- Insurance Certificate issued by a local insurance company
- Sanitary certificate issued by the origin country
- Non-objection Certificate issued by the Ministry of Agriculture

- Import Permit issued by the Department of Internal Taxes for alcoholic beverages only

When importers have all the required documents and no sanitary issues arise, the customs clearance procedure can be completed in twenty-four hours. The process has been streamlined in recent years due to the implementation of the Customs Integrated Information System (SIGA), which allows the importer to request permits and process other transactions online. However, importers usually hire a knowledgeable customs agent who expedites the process. Larger importers will have a customs agent within their company. After ten days in port, shipping lines assess a daily charge for the use of their containers. Port authorities also charge for the use of their space.

After the invoice is reviewed, customs officials determine the duty. If it is determined that the invoice does not reflect what customs believes is an accurate price, customs officials will review the duty based on their own appraisal list (Lista de Valuación Aduanera, LVA). The actual product value may be lower than the one in the list, so importers sometimes need to appeal their findings.

Tariffs

Current tariffs are based on DR-CAFTA. Tariffs range from 0 to 20 percent for most products, and up to 99 in some cases. A complete list of the base tariff schedule, in Spanish only, under the CAFTA-DR agreement can be found at the following link:

http://www.ustr.gov/sites/default/files/uploads/agreements/cafta/asset_upload_file732_5848.pdf

More information on the text of the agreement can be found at:

<http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text>

Exporters also need to be aware of other internal taxes applied to imported luxury products, such as wine, during the clearance process. Although the duty may be low and even zero, luxury taxes may be as much as 300 percent. These taxes, charged at customs, increase the price for the end consumer significantly. For more information on these taxes and a specific example, please refer to our GAIN FAIRS Subject Report #DR8015, which can be found at:

<http://www.fas.usda.gov/gainfiles/200806/146294973.pdf>

B. Marketing Channels

Similar to the retail sector, but simpler, distribution is from U.S. manufacturer or distributor, directly to the food service importer, who then supplies individual outlets. Most DR importers prefer to purchase direct from manufacturers. However, for smaller volumes, and to capitalize on logistics and

transportation advantage, many importers purchase consolidated shipments from distribution centers in Miami or from some other East Coast location. For meat, buyers also frequently purchase combined product shipments, including mixing meat and seafood products in the same container. Local providers, working as distributors, can also be found in the supply chain. They usually focus on a smaller number of end users (hotels and restaurants) and buy from the larger importers. In the case of fruits, especially apples and pears, the distribution channel is rather simple, with a few major importers directly supplying outlets.



Some of the best opportunities for U.S. products are with the large hotels (including U.S. franchises such as Hard Rock Café, JW-Marriott, Hilton, and Holiday Inn) and the all-inclusive resorts in the East. Similarly, more than 100 independent restaurants include U.S. imported products in their menus, giving food service providers another chance for seeking new exporters for this important portfolio. Post has put together a list of these potential clients that can be provided upon request.

Regarding demand from institution side, mostly local products supply this sub-sector. Nevertheless, growth in catering services is emerging as an important niche.

Section III. Competition

Most competition comes from EU meat and dairy; local poultry, fruits, and vegetables; and a few key regional agricultural suppliers. The Netherlands, Spain, and Denmark are key cheese suppliers. For red meats, in addition to EU sources, Australia is an important competitive supplier. While the U.S. is the number one fruit supplier, Chile and Argentina are also important.

Reporting Countries Export Statistics (Partner Country: Dominican Republic)
Commodity: 0406, **Cheese** Calendar Year 2013 – 2015

Reporting Countries Export Statistics (Partner Country: Dominican Republic)
Commodity: 0406, Cheese And Curd
Calendar Year: 2013 - 2015

Reporting Country	Unit	Quantity			% Change 2015/2014
		2013	2014	2015	
Reporting Total	T	7,878.00	7,858.00	9,484.00	
United States	T	5,032.00	4,422.00	4,864.00	9.99
Netherlands	T	1,455.00	1,652.00	1,985.00	20.19
Spain	T	792.00	958.00	1,417.00	47.95
Denmark	T	192.00	244.00	301.00	23.15
United Kingdom	T	-	20.00	229.00	1017.18
New Zealand	T	161.00	171.00	207.00	21.27
France	T	114.00	118.00	134.00	13.56
Germany	T	58.00	131.00	132.00	0.5
Italy	T	73.00	109.00	112.00	2.98
Belgium	T	-	33.00	100.00	204.88
Bulgaria	T	-	-	3.00	

Data Source: Global Trade Atlas

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products (Cheese)	As seen in the above table, USA has the 51% of the market share from the total DR imports. Second, Netherlands with a 21%, followed by Spain with 15%	USA is the most aggressive supplier, staying in the leading position same for the food service and retail	Local companies are strong in liquid milk, but imported cheeses don't find any competition locally so far

<p>Meat of Bovine Animals, Fresh or Chilled</p>	<p>Almost the total of imports comes from the United States (99%) Spain and Germany are the other two suppliers</p>	<p>USA major supplier of meat at the food service and retail</p>	<p>Only 2 slaughterhouses in the country are working with higher quality standards for the Equivalence, but not enough capacity for supplying the whole market. Also, they are major importers of US meats. On swine and poultry, local competition is strong. Local poultry producers dominate the market (including eggs)</p>
<p>Edible Vegetables and Certain Roots and Tubers</p>	<p>68% of all vegetables come from the United States, leaving the second place to China (13%). Canada, Netherlands and some Central and South American countries follow</p>	<p>There is a growing competition from Oriental vegetables, but still USA leads the import market</p>	<p>Local suppliers still have big challenges in this sector. Greenhouses have been receiving strong support from USDA programs on the past years</p>
<p>Apples, Pears and Quinces</p>	<p>US apples above Chileans</p>	<p>USA leads with a 94% even though on some seasonal peaks Chile enters the market, but only on less than a 6%</p>	<p>Imported seasonal fruits are always a leading commodity in the market (including grapes and nectarines)</p>

Potatoes (other than Sweet Potatoes) Fresh or Chilled	USA with a 70 % from imports share, followed by Canada & Germany both with a 13%. Some from Netherlands	Mostly the domestic potatoes are the ones leading the market	High protection to local producers still a barrier to US imports
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SECTION IV. Best Product Prospects

Meat and dairy products have great potential in the DR’s food service sector. U.S. beef (including special meat cuts) is growing in popularity at high-end restaurants, especially in Santo Domingo. In addition, frozen potato products are very popular. Cheeses, whether served directly or as ingredients (including cheddar, mozzarella, and provolone), are widely used in the food service sector. U.S. wines, mainly from California, are gaining market share, despite fierce competition from traditional imports from Chile, Spain and France.

**Area/Partners of Destination
And Commodities Exported** **January - December
Cumulative To Date Values in Thousands of dollars**

		2011	2012	2013	2014	2015	Jan - Oct 2016
Partner	Product	Value	Value	Value	Value	Value	Value
Dominican Republic	Beef & Veal,Fr/Ch/Fz	28,118	32,063	33,608	54,344	58,171	45,019
Dominican Republic	Cheese	17,926	15,709	22,170	21,963	22,331	22,133

		2011	2012	2013	2014	2015	Jan - Oct 2016
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Partner	Product	Value	Value	Value	Value	Value	Value
Dominican Republic	Wine	3,781	4,776	8,803	9,841	10,604	8,819

		2011	2012	2013	2014	2015	Jan - Oct 2016
Partner	Product	Value	Value	Value	Value	Value	Value
Dominican Republic	Frozen French Fries & Other Potato Products	3,569	2,448	4,073	4,020	3,178	3,804

Similarly, U.S. turkey has great potential during peak holiday periods, and some ducks might be found in specialty restaurants, hotels and resorts.

		2011	2012	2013	2014	2015	Jan - Oct 2015	Jan - Oct 2016
Partner	Product	Value	Value	Value	Value	Value	Value	Value
Dominican Republic	Turkey Meat	12,471	10,288	12,805	10,195	10,013	6,789	15,013

		2011	2012	2013	2014	2015	Jan - Oct 2015	Jan - Oct 2016
Partner	Product	Value	Value	Value	Value	Value	Value	Value
Dominican Republic	Other Poultry Meat	1,553	1,714	3,677	2,380	3,946	2,785	4,646

Also traditional seasonal imports of fruits such as apples, pears and grapes, has turned into a yearly/regular commercial product for retail and food service, including a variety of deciduous fruits like nectarines, peaches and apricots when available.

		2011	2012	2013	2014	2015	Jan - Oct 2015	Jan - Oct 2016
Partner	Product	Value	Value	Value	Value	Value	Value	Value
Dominican Republic	Fresh Fruits, Deciduous	20,915	25,916	22,980	28,446	27,581	18,094	18,990

Note:

1. Data Source: U.S. Census Bureau Trade Data

SECTION V. Post Contact and Further Information

Foreign Agricultural Service (FAS/ USDA)*

United States Embassy in the Dominican Republic

Ave. República de Colombia # 57, Santo Domingo, Dominican Republic

Telephone: 809-368-7654

Contact: **Mayra Carvajal**, Agricultural Marketing Specialist

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Web page: www.fas.usda.gov

**Please do not hesitate to contact this office for more detailed information about the Dominican food service, reference of major players in the sector and any other related questions.*

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Reference on market research:

- *ORGANIZACIÓN DE TURISMO DEL CARIBE*

https://www.ecured.cu/Organizaci%C3%B3n_de_Turismo_del_Caribe

ASONAHORES (National Hotel & Restaurant Association)

C/Presidente González esq. Av. Tiradentes 8vo. piso, Edif. La Cumbre, Naco

Santo Domingo, Dominican Republic

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CDCT (Dominican Consortium for Touristic Competitivity)

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